

# **Pajson Global DMCC**

Separate Financial Statements  
For the year ended December 31, 2022

**Pajson Global DMCC**  
**Separate financial statements**  
**For the year ended December 31, 2022**

**Table of contents**

---

	<b>Page(s)</b>
Independent Auditor's Report	1 – 3
Separate statement of financial position	4
Separate Statement of profit or loss and other comprehensive income	5
Separate Statement of changes in equity	6
Separate Statement of cash flows	7
Notes to the separate financial statements	8 – 27

## **Independent Auditor's Report To the Shareholder of Pajson Global DMCC**

### **Report on the audit of the separate financial statements**

#### *Opinion*

We have audited the accompanying separate financial statements of Pajson Global DMCC ("the Company") which comprise the separate statement of financial position as at December 31, 2022, separate statement of profit or loss and other comprehensive income, separate statement of changes in equity, a separate statement of cash flows for the year ended December 31, 2022, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants* ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the Company's separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged With Governance for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with IFRS and Dubai Multi Commodities Centre Authority Company Regulations 2020 ("DMCCA"), and for such internal control as management determine is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Independent Auditor's Report  
To the Shareholder of Pajson Global DMCC (continued)**

**Report on the audit of the separate financial statements (continued)**

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





**Independent Auditor's Report  
To the Shareholder of Pajson Global DMCC**

**Report on Other Legal and Regulatory Requirements**

We also confirm that, in our opinion, the separate financial statements of the Company have been properly prepared, in all material respects, in accordance with the applicable provisions of the Dubai Multi Commodities Centre Authority Company Regulations 2020, and the Memorandum of Association of the Company. As required by Dubai Multi Commodities Centre Authority Company Regulations 2020, we also confirm that, based on the information that has been made available to us during our audit of the separate financial statements of the Company for the year ended December 31, 2022, nothing has come to our attention that causes us to believe that the activities undertaken by the Company and as disclosed in Note 1 to these separate financial statements, are not significantly different from the activities mentioned in the license issued to the Company by the DMCC Authority.

  
**GRANT THORNTON**  
**Farouk Mohamed**  
**Registration No. 86**  
**Dubai, June 22, 2023**



**Pajson Global DMCC**  
**Separate Financial Statements**

**Separate statement of financial position**  
**As at December 31, 2022**

	Notes	2022 AED	2021 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	547,227	599,076
Investment in subsidiaries	6	3,547,302	1,686,700
		<u>4,094,529</u>	<u>2,285,776</u>
<b>Current assets</b>			
Trade and other receivables	7	301,213,462	182,584,715
Due from related parties	8	46,595,590	73,149,641
Loan due from related parties	8	351,547,110	314,440,909
Cash and bank balances	9	22,493,396	59,491,390
		<u>721,849,558</u>	<u>629,666,655</u>
<b>TOTAL ASSETS</b>		<u><b>725,944,087</b></u>	<u><b>631,952,431</b></u>
<b>EQUITY</b>			
Share capital	10	3,900,000	3,900,000
Retained earnings		629,388,876	533,271,348
<b>Total equity</b>		<u><b>633,288,876</b></u>	<u><b>537,171,348</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	11	740,059	604,131
<b>Current liabilities</b>			
Trade and other payables	12	3,603,449	24,250,030
Due to related parties	8	57,972,116	10,407,146
Bank borrowings	13	18,109,683	49,841,345
Bank overdraft	9	12,229,904	9,678,431
		<u>91,915,152</u>	<u>94,176,952</u>
<b>Total liabilities</b>		<u><b>92,655,211</b></u>	<u><b>94,781,083</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>725,944,087</b></u>	<u><b>631,952,431</b></u>



**Pulkit Jain**  
**Managing Director**

The accompanying notes 1 to 18 form an integral part of these separate financial statements.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Separate statement of profit or loss and other comprehensive income**  
**For the year ended December 31, 2022**

	Notes	2022 AED	2021 AED
Revenue	14	1,449,934,440	1,365,058,982
Cost of revenue	15	(1,279,390,989)	(1,210,162,864)
<b>Gross profit</b>		<b>170,543,451</b>	<b>154,896,118</b>
Administrative and selling expenses	16	(73,022,426)	(67,515,238)
Other income		12,116	-
<b>Operating profit</b>		<b>97,533,141</b>	<b>87,380,880</b>
Finance cost		(1,415,613)	(1,674,845)
<b>Profit for the year</b>		<b>96,117,528</b>	<b>85,706,035</b>
Other comprehensive income		-	-
<b>Total other comprehensive income for the year</b>		<b>96,117,528</b>	<b>85,706,035</b>

The accompanying notes 1 to 18 form an integral part of these separate financial statements.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Separate statement of changes in equity**  
**For the year ended December 31, 2022**

	<b>Share capital AED</b>	<b>Retained earnings AED</b>	<b>Total equity AED</b>
Balance as at January 01, 2021	3,900,000	447,565,313	451,465,313
Profit for the year	-	85,706,035	85,706,035
Total comprehensive income for the year	-	85,706,035	85,706,035
<b>Balance as at December 31, 2021</b>	<b>3,900,000</b>	<b>533,271,348</b>	<b>537,171,348</b>
Balance as at January 01, 2022	3,900,000	533,271,348	537,171,348
Profit for the year	-	96,117,528	96,117,528
Total comprehensive income for the year	-	96,117,528	96,117,528
<b>Balance as at December 31, 2022</b>	<b>3,900,000</b>	<b>629,388,876</b>	<b>633,288,876</b>

The accompanying notes 1 to 18 form an integral part of these separate financial statements.



**Pajson Global DMCC**  
**Separate Financial Statements**

**Separate statement of cash flows**  
**For the year ended December 31, 2022**

	Notes	2022 AED	2021 AED
<b>OPERATING ACTIVITIES</b>			
Profit for the year		96,117,528	85,706,035
<i>Adjustment for non-cash items:</i>			
Depreciation on property and equipment	5	100,736	119,703
Employees' end of service benefits	11	148,248	180,909
Write back of employees' end of service benefits	11	(12,320)	(36,983)
Finance costs		1,415,613	1,674,845
Operating cash flows before changes in working capital		97,769,805	87,644,509
<i>Net changes in working capital</i>			
Trade and other receivables		(118,628,746)	(3,571,889)
Due from related parties		26,554,051	44,912,529
Trade and other payables		(20,646,582)	16,523,103
Due to related parties		47,564,970	(3,218,957)
<b>Net cash generated from operating activities</b>		<b>32,613,498</b>	<b>142,289,295</b>
<b>INVESTING ACTIVITIES</b>			
Investment in subsidiaries	6	(1,860,602)	(330,358)
Additions to property and equipment	5	(48,887)	-
<b>Net cash used in investing activities</b>		<b>(1,909,489)</b>	<b>(330,358)</b>
<b>FINANCING ACTIVITIES</b>			
Additional loan provided to related parties		(37,106,201)	(132,369,206)
Repayment of bank borrowings		(31,731,662)	27,237,975
Finance cost paid		(1,415,613)	(1,674,845)
<b>Net cash used in financing activities</b>		<b>(70,253,476)</b>	<b>(106,806,076)</b>
Net (decrease)/increase in cash and cash equivalents during the year		(39,549,467)	35,152,861
Cash and cash equivalents at the beginning of the year		49,812,959	14,660,098
Cash and cash equivalents as at the end of year	9	10,263,492	49,812,959

The accompanying notes 1 to 18 form an integral part of these separate financial statements.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements**  
**For the year ended December 31, 2022**

---

**1 Legal status and nature of operations**

Pajson Global DMCC (the “Company”) was incorporated in Dubai, United Arab Emirates (‘UAE’) as a limited liability Company and the address of the registered office of the Company is Unit AU-33-B-02, Gold (AU) Tower, Plot number JLT-PH1-13A, Jumeirah Lakes Towers, P.O. Box 634280, Dubai, UAE. The Company was registered with the Dubai Multi Commodities Centre (“DMCC”) on August 13, 2014 under registration number DMCC34285.

The Company is wholly owned by Pajson Global Holdings Limited which is the Ultimate Parent Company of the Group and Mr. Pulkit Jain, the Managing Director of the Company is owner of Ultimate Parent Company.

The principal activities of the Company include grains, cereals and legumes trading, nuts trading, sugar trading, basic non-ferrous metal products trading, jewellery trading, spices trading, industrial plant equipment and spare parts trading, gifts trading and metal alloys trading, and ship chartering.

These separate financial statements for the year ended December 31, 2022 were approved by the Managing Director on June 22, 2023.

**2 Basis of preparation and statement of compliance**

**2.1 Presentation on a stand-alone basis**

These separate financial statements have been prepared as permitted by International Accounting Standards (IAS) 27 - *Separate Financial Statements*, which requires investments in subsidiaries to be accounted for under the cost method. In addition, the consolidated financial statements of the Company and its subsidiaries are separately prepared and available at the registered office of the Company.

**2.2 Statement of compliance**

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and Dubai Multi Commodities Centre Authority Company Regulations 2020 (“DMCCA”).

**2.3 Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes**

On December 9, 2022, the UAE Ministry of Finance released Federal-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax Regime in the UAE. The Law was previously gazetted on October 10, 2022, becoming law 15 days later. The Corporate Tax regime is effective for accounting periods beginning on or after June 1, 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Company has determined that the Law was not practically operational as at December 31, 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes. The Company is currently in the process of assessing the possible impact on its separate financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**3 Standards, interpretations and amendments to existing standards**

**3.1 Standards, interpretations and amendments to existing standards that are effective in 2022**

Following relevant new amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 01, 2022 and have been adopted by the Company. Information on the new standards, interpretations or amendments to existing standards is described below:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 - Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
  - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments to IFRS 16).

The above amendments do not have a significant impact on these separate financial statements therefore the disclosures have not been made.

**3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company**

Following relevant new amendments to existing standards were issued by the IASB, which are not yet effective and have not been adopted early by the Company:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Disclosure of Accounting Policies (Amendments to IAS 1); and
- Definition of Accounting Estimates (Amendments to IAS 8).

At the date of authorisation of these separate financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's separate financial statements.

**4 Summary of significant accounting policies**

**4.1 Overall considerations**

The significant accounting policies have been applied consistently and these separate financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the following accounting policies:

**4.2 Basis of preparation**

The Company's separate financial statements have been prepared on an accrual basis and under the historical cost convention.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.3 Foreign currency translation**

**Functional and presentation currency**

These separate financial statements are presented in United Arab Emirates Dirham (AED), which is the Company's functional and presentation currency.

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period -end exchange rates are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**4.4 Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the separate statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	Useful life in year
Furniture and fixtures	5
Office equipment	5
Motor vehicles	5-6

An item of property and equipment is derecognized upon disposal or when no future benefits are expected to arise from the continued use of asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the separate statement of profit or loss and other comprehensive income.

The assets' residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.5 Investment in a subsidiaries**

Investment in subsidiaries are accounted for in these separate financial statements of the Company using the “cost-method” in accordance with International Accounting Standard (IAS) 27 - Separate Financial Statements, under which such investments are accounted for at cost less any accumulated impairment, if any.

**4.6 Financial instruments**

**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

Company's financial assets include trade and other receivable, amounts due from related parties, loan due from related parties and cash at bank.

In the periods presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables, amounts due from related parties and loan due from related parties fall into this category of financial instruments.



**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.6 Financial instruments (continued)**

**Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses are recognised for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Trade and other receivables**

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been Compared based on the days past due. Refer to note 17 under credit risk analysis for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Write-off policy**

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.6 Financial instruments (continued)**

**Financial liabilities**

The Company's financial liabilities include trade and other payables, due to related parties, bank borrowings and bank overdraft.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**4.7 Capital management policies and procedures**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize Shareholder's value.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes during the year ended December 31, 2022. Capital comprises of share capital, and retained earnings and is measured of AED 633,288,876 as at December 31, 2022 (2021: AED 537,171,348).

**4.8 Employees' end of service benefits**

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the applicable law and is reported as separate line item under non-current liabilities. The Company operated an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified in U.A.E Labour Law.

The provision for staff terminal benefit is based on the liability that would arise if the employment of all the employees was terminated at the end of the reporting period.

**4.9 Revenue recognition**

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue as and when the Company satisfies a performance obligation

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.9 Revenue recognition (continued)**

The Company recognises revenue over time if any one of the following criteria is met:-

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as is the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance obligations completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability. Revenue is recognised in these separate financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

**Revenue from trading activities**

As part of the impact assessment exercise, the Company has concluded that sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the product has been shipped to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the product in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Therefore, it meets the criteria to recognise revenue at a point in time.

**Revenue from service activities**

As part of the impact assessment exercise, the Company has concluded that revenues are recognised when the chartered party agreement is signed and stamped by charterer and shipper. When the Company enters into the contract with charterer, the contract becomes binding to render and receive the services through chartered party agreement, and there is no unfulfilled obligation that could affect the shipper's acceptance of the services. Therefore, it meets the criteria to recognise revenue at a point in time."

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.10 Administrative and selling expense**

Operating expenses are recognised in statement of profit or loss and other comprehensive income upon utilisation of the service or as incurred.

**4.11 Finance income and finance expense**

Finance income includes interest income on funds invested and foreign exchange gains or losses that are recognised in the separate statement profit or loss and other comprehensive income. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises bank charges and interest expense which are recognised in the separate statement of profit or loss and other comprehensive income as it accrues. Foreign currency gains and losses are reported on net basis as either finance income or finance expense depending upon whether foreign currency movements are in a net gain or net loss position.

**4.12 Cash and cash equivalents**

For the purpose of the separate statement of cash flows, cash and cash equivalents consist of cash in hand and with bank with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

**4.13 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**4.14 Contingencies**

Contingent liabilities are not recognised in the separate financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the separate financial statements but disclosed when an inflow of economic benefits is probable.

**4.15 Management estimates in applying accounting policies**

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.



**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.15 Management estimates in applying accounting policies (continued)**

The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the resulting accounting estimates may differ from actual results. The estimates and assumptions pose a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Significant area of estimate and judgement for the Company includes:

**Estimates**

*Useful lives of depreciable assets*

The Company's management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Impairment losses on receivables, due from related parties and loan due from related parties*

The Company's reviews its trade receivables, due from related parties and loan due from related parties to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether an impairment loss should be recorded in the profit or loss, the Company's makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company's recognises loss allowance for ECLs on financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses. ECL computation uses historical trends and a forward-looking element to compute percentage allowance to be recorded as impairment loss on trade receivables. Should any of these input estimates vary, the profit or loss and financial position of the following year(s) would be significantly impacted.



**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**4.15 Management estimates in applying accounting policies (continued)**

**Estimates (continued)**

*Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**5 Property and Equipment**

	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
<b>2022</b>				
<b>Cost</b>				
Balance as at January 1, 2022	536,237	292,656	888,418	1,717,311
Additions	-	-	48,887	48,887
<b>Balance as at December 31, 2022</b>	<b>536,237</b>	<b>292,656</b>	<b>937,305</b>	<b>1,766,198</b>
<b>Accumulated depreciation</b>				
Balance as at January 1, 2022	429,090	209,626	479,519	1,118,235
Charge for the year	21,429	16,605	62,702	100,736
Balance as at December 31, 2022	450,519	226,231	542,221	1,218,971
<b>Carrying amount as at December 31, 2022</b>	<b>85,718</b>	<b>66,425</b>	<b>395,084</b>	<b>547,227</b>
<b>2021</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
<b>Cost</b>				
Balance as at January 1, 2021	536,237	292,656	888,418	1,717,311
<b>Balance as at December 31, 2021</b>	<b>536,237</b>	<b>292,656</b>	<b>888,418</b>	<b>1,717,311</b>
<b>Accumulated depreciation</b>				
Balance as at January 1, 2021	402,303	188,869	407,360	998,532
Charge for the year	26,787	20,757	72,159	119,703
Balance as at December 31, 2021	429,090	209,626	479,519	1,118,235
<b>Carrying amount as at December 31, 2021</b>	<b>107,147</b>	<b>83,030</b>	<b>408,899</b>	<b>599,076</b>

**6 Investment in subsidiaries**

Name	Legal and beneficial ownership		Country of incorporation	Date of acquisition	Principal activity
	2022	2021			
STE Global Commerce SARL	99.0%	99.0%	Benin	November 25, 2019	Agro-trading
Premier Overseas Exim Limited	99.9%	99.9%	Nigeria	September 06, 2019	Agro-trading
STE Insta Trading SARL	99.5%	99.5%	Benin	February 14, 2020	Agro-trading
Pajson Agro Trading Limited	100%	100%	Ivory cost	March 05, 2021	Agro-trading
Pajson Investment Limited	100%	-	Ghana	April 06, 2016	Warehousing

Total investment in subsidiaries as at December 31, 2022 is as follow;

	2022 AED	2021 AED
Pajson Investment Limited	1,860,602	-
STE Global Commerce SARL	1,241,643	1,241,643
Pajson Agro Trading Limited	330,358	330,358
Premier Overseas Exim Limited	101,940	101,940
STE Insta Trading SARL	12,759	12,759
	<b>3,547,302</b>	<b>1,686,700</b>

These investments have been carried at cost and no impairment against the cost of investment has been recorded since the date of their acquisitions.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**7 Trade and other receivables**

	2022 AED	2021 AED
<i>Financial assets</i>		
Trade receivables	297,676,090	171,352,929
Less: Allowance for expected credit losses	(315,604)	(315,604)
	<u>297,360,486</u>	<u>171,037,325</u>
Other receivables	1,969,375	1,084,023
	<u>299,329,861</u>	<u>172,121,348</u>
<i>Non-financial assets</i>		
Advances to suppliers	1,883,601	10,463,367
	<u>301,213,462</u>	<u>182,584,715</u>

The movement in the allowance for credit loss during the year was as follows:

	2022 AED	2021 AED
At January 01	315,604	315,604
At December 31	<u>315,604</u>	<u>315,604</u>

**8 Related party balances and transactions**

The Company, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of related party as contained in *LAS 24: Related Party Disclosures*. Related parties comprise the Company's major shareholders, directors and entities related to them, companies under common ownership and/or common management and control, and key management personnel.

Related parties represent shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. The Company entered into the following significant transactions at the agreed terms and conditions with related parties in the ordinary course of business.

<b>Due from related parties</b>	2022 AED	2021 AED
<i>Subsidiaries</i>		
STE Insta Trading S.A.R.L - Incorporated in Benin	167,289	34,916,309
Premier overseas Exim Ltd - Incorporated in Nigeria	18,499,626	4,411,584
	<u>18,666,915</u>	<u>39,327,893</u>
<i>Affiliates</i>		
PJS Overseas Limited - Incorporated in India	-	29,422,000
Kiara Rice Mill - Incorporated in Nigeria	20,076,772	4,399,748
The Priority Aluminum Limited – Incorporated in Nigeria	7,851,903	-
	<u>27,928,675</u>	<u>33,821,748</u>
	<u>46,595,590</u>	<u>73,149,641</u>

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**8 Related party balances and transactions (continued)**

Loan due from related parties:	2022 AED	2021 AED
<i>Affiliates</i>		
Kiara Petroleum FZE - Incorporated in UAE	130,925,665	174,705,530
Pearl Universal Impex Limited - Incorporated in Nigeria	35,256,636	35,256,636
Chakravati Shipping INC - Incorporated in Marshall Island	32,550,464	32,339,758
Rajtilak Shipping Inc. - Incorporated in Panama	-	28,216,711
Kiara Rice Mill - Incorporated in Nigeria	-	15,107,119
Parvraj Shipping INC - Incorporated in Marshall Island	39,230,218	13,188,600
Astra International - Incorporated in UAE	3,048,561	7,714,350
PJS Agro Farm Limited - Incorporated in Nigeria	5,783,456	4,860,945
Parnav Limited - Incorporated in UAE	11,400	3,051,260
Paras Shipping Incorporation - Incorporated in Marshall Island	60,934,225	-
Chandrakant Shipping Incorporation - Incorporated in Marshall Island	43,798,962	-
Padam Shipping Incorporation - Incorporated in Panama	2,386	-
Pranay Shipping Incorporation - Incorporated in Marshall Island	5,137	-
	<b>351,547,110</b>	<b>314,440,909</b>

The amounts outstanding are unsecured, interest free and will be settled in cash. No guarantees have been received or given against these loans due from related parties. No expenses have been recognized during the year for bad or doubtful debts in respect of these balances.

Due to related parties:	2022 AED	2021 AED
Key management personnel	36,672,017	10,407,146
Paras Shipping INC - Incorporated in Marshall Island	14,246,862	-
Pajson Global Holdings Limited - Incorporated in UAE	2,821,365	-
Chandrakant Shipping Incorporation - Incorporated in Marshall Island	1,880,832	-
Chakravati Shipping Incorporation - Incorporated in Marshall Island	1,175,520	-
Parvraj Shipping Incorporation - Incorporated in Marshall Island	1,175,520	-
	<b>57,972,116</b>	<b>10,407,146</b>

**Significant transactions with related parties**

	2022 AED	2021 AED
<b>Revenue:</b>		
<i>Subsidiaries</i>		
STE Insta Trading S.A.R.L - Incorporated in Benin	-	23,564,675
	-	23,564,675
<i>Affiliate</i>		
Kiara Rice Mills - Incorporated in Nigeria	18,646,524	1,335,250
The Priority Aluminum Limited - Incorporated in Nigeria	9,118,858	-
	<b>27,765,382</b>	<b>1,335,250</b>

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**8 Related party balances and transactions (continued)**

<b>Cost of revenue:</b>	<b>2022</b>	<b>2021</b>
	<b>AED</b>	<b>AED</b>
<i>Subsidiaries</i>		
Premier overseas Exim Limited - Incorporated in Nigeria	30,777,476	60,581,718
STE Insta Trading S.A.R.L - Incorporated in Benin	39,308,536	91,423,867
Chakravati Shipping INC - Incorporated in Marshall Island	26,816,550	-
Parvraj Shipping INC - Incorporated in Marshall Island	26,816,550	-
Paras Shipping INC - Incorporated in Marshall Island	14,246,862	-
Chandrakant Shipping INC - Incorporated in Marshall Island	1,880,832	-
	<u>139,846,806</u>	<u>152,005,585</u>
<i>Affiliates</i>		
PJS Overseas Limited - Incorporated in India	-	129,926,019
	-	<u>129,926,019</u>
	<u>139,846,806</u>	<u>281,931,604</u>
<b>Compensation of key management personnel:</b>		
Salaries and wages	60,370,000	61,200,000
End of service benefits	221,621	46,810
	<u>60,591,621</u>	<u>61,246,810</u>

**9 Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>AED</b>	<b>AED</b>
Cash in hand	6,250,051	4,124,860
Cash at banks	16,243,345	55,366,530
	<u>22,493,396</u>	<u>59,491,390</u>

Cash and cash equivalents for the purpose of separate statement of cash flow are as follow:

	<b>2022</b>	<b>2021</b>
	<b>AED</b>	<b>AED</b>
Cash and bank balances	22,493,396	59,491,390
Bank overdraft	(12,229,904)	(9,678,431)
	<u>10,263,492</u>	<u>49,812,959</u>

Bank overdraft has the interest rates of 3.5% per annum plus 3 months LIBOR with a minimum floor of 4.5%.

**10 Share capital**

	<b>2022</b>	<b>2021</b>
	<b>AED</b>	<b>AED</b>
<i>Authorised, issued and fully paid up capital</i>		
3,900 ordinary shares of AED 1,000 each	<u>3,900,000</u>	<u>3,900,000</u>



**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**11 Employees' end of service benefits**

The movement in the provision for employees' end of service benefits was as follows:

	2022 AED	2021 AED
At January 01	604,131	460,205
Charge for the year	148,248	180,909
Write back of provision	(12,320)	(36,983)
At December 31	<u>740,059</u>	<u>604,131</u>

**12 Trade and other payables**

	2022 AED	2021 AED
<i>Financial liabilities:</i>		
Trade payables	2,460,805	22,131,855
Other payables	<u>1,025,123</u>	<u>110,205</u>
	3,485,928	22,242,060
<i>Non-Financial liabilities:</i>		
Accrued expenses	117,521	172,434
Advances from customers	-	1,835,536
	<u>117,521</u>	<u>2,007,970</u>
	<u>3,603,449</u>	<u>24,250,030</u>

**13 Bank Borrowings**

	2022 AED	2021 AED
Trust receipts	<u>18,109,683</u>	<u>49,841,345</u>
	<u>18,109,683</u>	<u>49,841,345</u>

Trust receipts are part of the overall credit facility obtained from commercial banks in UAE with a total credit limit of AED 64,500,000. Interest expense on trust receipts was 3 Month EIBOR + 3.50% margin with minimum floor (ranging from 4.5% to 5.65%). The facility is secured by a collateral against the Company's receivables, personal guarantee and mortgage over personal properties of the Managing Director and his family.

The facility has been renewed subsequent to year end with a credit limit of AED 64,500,000 with the terms and conditions applicable to the master facility agreement.

**14 Revenue**

	2022 AED	2021 AED
Revenue recorded at point in time:		
Revenue from trading activities	1,113,454,177	1,140,759,884
Revenue from service activities	<u>336,480,263</u>	<u>224,299,098</u>
	<u>1,449,934,440</u>	<u>1,365,058,982</u>
Geographical location of revenue		
Within United Arab Emirates	126,211,930	219,949,846
Outside United Arab Emirates	<u>1,323,722,510</u>	<u>1,145,109,136</u>
	<u>1,449,934,440</u>	<u>1,365,058,982</u>

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**15 Cost of Revenue**

	2022 AED	2021 AED
Cost of revenue – commodities	939,005,305	984,610,805
Direct expenses – commodities	50,047,422	37,068,431
Direct expenses – service activities	290,338,262	188,483,628
	<u>1,279,390,989</u>	<u>1,210,162,864</u>

**16 Administrative expenses**

	2022 AED	2021 AED
Staff costs	66,897,607	63,870,506
Travelling expenses	1,010,633	809,082
Bank charges	3,282,239	793,512
Office expenses	1,017,718	644,416
Legal and professional charges	320,857	508,477
Communication and utilities	196,516	353,037
Depreciation (note 5)	100,736	119,703
Repairs and maintenance	11,705	85,885
Printing and stationery	19,107	21,198
Selling expenses	74,027	18,368
Others	91,281	291,054
	<u>73,022,426</u>	<u>67,515,238</u>

**17 Financial instruments risks**

**Risk management policies and objectives**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 4.6. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at senior management level, in close cooperation with the operating management, and the focus is placed on to actively secure the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

**17.1 Market risk analysis**

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams (AED) or United States Dollars (USD) to which the AED is pegged.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**17 Financial instruments risks (continued)**

**17.1 Market risk analysis (continued)**

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk with respect to its borrowings. The Company's borrowings are based on combination of fixed and variable rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. Positions are monitored regularly to ensure positions are maintained within established limits. The Company does not have any off-balance sheet financial instrument to manage the interest rate risk. As at the end of the year, the interest rate profile of the Company's financial liabilities is disclosed in the following table.

	2022 AED	2021 AED
<b>Sources of the sensitivity analysis</b>		
Bank borrowings (note 13)	18,109,683	49,841,345
Bank overdraft (note 9)	12,229,904	9,678,431
	<u>30,339,587</u>	<u>59,519,776</u>

The table shown below illustrates the sensitivity of profit to a reasonably possible change in interest rates of  $\pm 100$  basis points (December 31, 2021:  $\pm 100$  basis points). This change is considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates provided that all other variables are held constant.

	Impact on statement of profit or loss and other comprehensive income	
	AED	AED
	+100 bps	-100 bps
<b>December 31, 2022</b>	<b>303,396</b>	<b>(303,396)</b>
December 31, 2021	595,197	(595,197)

**17.2 Credit risk analysis**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's senior management oversees the management of these risks.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate and currency risk.

These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The management reviews and agrees policies for managing each of these risks which are summarised below.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below. The Company's overall financial risk management program seeks to minimize potential adverse effects to the financial performance of the Company. The management provides principles for overall financial risk management and policies covering specific areas.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**17 Financial instruments risks (continued)**

**17.2 Credit risk analysis (continued)**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities primarily from principal financial assets, which includes cash and cash equivalents, trade and other receivables, loan due from related parties and due from related parties.

The Company is exposed to credit risk on its receivable balances as follows:

	2022 AED	2021 AED
Trade receivables (Note 7)	299,329,861	172,121,348
Due from related parties (Note 8)	46,595,590	73,149,641
Loan due from related parties (Note 8)	351,547,110	314,440,909
Cash at bank (Note 9)	16,243,345	55,366,530
	<u>713,715,906</u>	<u>615,078,428</u>

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

*Trade and other receivables*

The Company applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivables. The Company has considered forward looking information available in assessing the expected credit losses. Accordingly, based on the information available and history of nil default from customer, no additional expected credit loss has been recognised during the year.

The following table shows the expected credit losses for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Not due or impaired	Due and impaired			
	Current days AED	Less than 90 days AED	90-180 days AED	>180 days AED	Total AED
<b>December 31, 2022</b>					
Expected credit loss rate	0.0010%	0.0145%	0.3194%	-	0.1060%
Gross carrying amount	69,622,650	135,625,276	92,428,164	-	297,676,090
Expected credit loss	720	19,664	295,220	-	315,604
<b>December 31, 2021</b>					
Expected credit loss rate	0.0006%	0.0432%	2.5581%	-	0.184%
Gross carrying amount	114,266,700	45,545,435	11,540,794	-	171,352,929
Expected credit loss	720	19,664	295,220	-	315,604

*Due from related parties and loan due from related parties*

Due from related parties is not considered to represent significant credit risk because amounts due from related parties are from the Companies owned by the same ultimate shareholder and therefore do not carry any significant risks of default.

**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

**17 Financial instruments (continued)**

**17.2 Credit risk analysis (continued)**

*Cash and cash equivalents*

With respect to exposures with banks, the Company seeks to limit its credit risk with regard to bank balances by dealing only with reputable banks. The management does not expect any losses from non-performance by these counterparties.

Management is satisfied that this concentration of credit risk will not result in any financial loss to the Company.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade receivables, due from related parties and balances with banks are not secured by any collateral.

**17.3 Liquidity risk**

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The management considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources.

The Company's non-derivative financial liabilities have contractual maturities as summarized below:

	Payable on demand	Within 1 year	1 to 5 years	5 years and above	Carrying Amount
	AED	AED	AED	AED	AED
<b>At 31 December 2022</b>					
Trade and other payables (Note 12)	-	3,485,928	-	-	3,485,928
Due to related parties (Note 8)	-	57,972,116	-	-	57,972,116
Trust receipt (Note 13)	-	18,109,683	-	-	18,109,683
Bank overdraft	12,229,904	-	-	-	12,229,904
	<u>12,229,904</u>	<u>79,567,727</u>	<u>-</u>	<u>-</u>	<u>91,797,631</u>
<b>At 31 December 2021</b>					
Trade and other payables (Note 12)	-	22,242,060	-	-	22,242,060
Due to related party (Note 8)	-	10,407,146	-	-	10,407,146
Trust receipt (Note 13)	-	49,841,345	-	-	49,841,345
Bank overdraft	9,678,431	-	-	-	9,678,431
	<u>9,678,431</u>	<u>82,490,551</u>	<u>-</u>	<u>-</u>	<u>92,168,982</u>



**Pajson Global DMCC**  
**Separate Financial Statements**

**Notes to the separate financial statements (continued)**  
**For the year ended December 31, 2022**

---

**18 Fair values of financial instruments**

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (un-observable inputs).

None of the Company's financial assets and liabilities have been measured at fair value.